


02 FEB 1984

MEMORANDUM FOR: Deputy Director of Personnel for Special Programs

Deputy Director of Personnel for Policy, Analysis, and Evaluations

STAT FROM:

  
Liaison Division  
Office of Legislative Liaison

1. Attached for your information and use is a recently acquired General Accounting Office (GAO) study and the financial and other problems facing the Federal Employees Health Insurance Program. Dated February, 1983, the report was prepared at the request of Senator Ted Stevens (R,AL) in his capacity as Chairman of the Civil Service, Post Office, and General Services Subcommittee of the Senate Committee on Governmental Affairs.

2. The report, while dated, is nonetheless informative and, I hope, will prove useful to you in understanding some of the current legislative activity in this area.

STAT



Attachment:  
As stated

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file Personnel General

Thursday, February 2, 1984

## THE FEDERAL BUDGET

The Washington Post ... A13

## Federal Workers Figure Heavily in Reagan's Cost-Control Plans

By Douglas B. Feaver  
Washington Post Staff Writer

Federal workers, dwindling in numbers and under attack partly because they are an easy target during election years, are being asked to contribute significantly to President Reagan's cost-control efforts.

The fiscal 1985 budget includes a long list of proposals to trim the price of maintaining 4.2 million civilian employees and retirees. These range from delays in salary and pension increases to reductions in the number of higher-salaried federal employees to increases in employee pension and health-care contributions.

Retired military personnel would feel the knife along with civilian retirees because the budget proposes to postpone cost-of-living increases for both from June to January, 1985.

"Federal employees are like redheaded stepchildren," said Sandra Arnold of the National Federation of Federal Employees. "They're not getting any kind of a fair shake out of this."

The budget proposes personnel levels in concert with the president's political posi-

tions. Cuts are suggested in almost all domestic departments and agencies, except the Environmental Protection Agency, but increases are planned for the Defense and State departments and for the United States Information Agency. The biggest jump is at Defense, where the budget projects a 7,324-person increase in 1985.

The budget says the administration expects to reach its goal of reducing federal nondefense employment below 1.08 million in full-time-equivalent employees in 1985. In 1983, the number was 1.09 million.

Salary proposals favor the military: uniformed personnel would receive a 5.5 percent increase next January, while the civilian work force would receive a 3.5 percent increase delayed from its currently planned increase in October.

The budget also includes proposals to:

- Phase in over two years an increase from 7 percent to 9 percent of gross salary in employee contributions to the federal retirement fund.

- Base future retirees' annuities on their highest five-year average salary, instead of the highest three-year average salary. That would reduce the annuities.

- Delay cost-of-living adjustments for civil-service annuities from June to next January, which would become the month when all subsequent COLA increases take effect.

Existing requirements for a minimum 3.3 percent COLA in 1985 for retirees under age 62 would be eliminated and, beginning in 1986, the civil-service retirement COLA would be limited to the Consumer Price Index or the increase in federal white-collar pay, whichever is smaller.

- Authorize full COLA payments only on the first \$10,000 of annuities. On amounts of more than \$10,000, only 55 percent of the increase would apply.

- Establish a voucher health-insurance system for workers and retirees, as is proposed in pending legislation. Each year, the government would issue a check covering the entire premium for some existing low-option health-care plans.

Those desiring more comprehensive and expensive coverage would pay the difference. The government now pays about 61 percent of the average premium for its white- and blue-collar workers, and about 75 percent of the premium for postal employees.

Pat Korten, a spokesman for the Office of Personnel Management, said a combination of changes in retirement payments, the health voucher plan and reduction of personnel in higher-paying grades would save the government \$18.9 billion over five years.

Versions of these proposals have surfaced periodically in administration pronouncements or recommendations from groups such as the Grace commission, which recently said \$424 billion could be saved over three years by curbing wasteful government programs and controlling federal employee pensions.

Most of the proposals face trouble in this presidential election year, if early reaction from Capitol Hill and employee groups is an indication.

"The only thing likely to occur this year is the delay in COLA payments," a source in the Senate Governmental Affairs Committee said.

Rep. Patricia Schroeder (D-Colo.), chairman of the House subcommittee on Civil Service, said the administration has "once again done absolutely nothing to increase the morale of federal employees and is saying that they are all expendable . . . It's just more of the same."

Robert Honig, executive director of the Federal Government Service Task Force, said the budget is "somewhat more benign" for federal employees than it might have been because this is an election year. A delay in pay raises, which he and several congressional sources said is possible, creates problems in "retaining key people as jobs open in the private sector," he said.

Kenneth T. Blaylock, national president of the American Federation of Government Employees, which represents about 700,000 persons, said, "We are horrified, but not surprised, by the continuing practice of the Reagan administration to make federal employees the enemy."

His group calculated, he said, that more than "\$1 of every \$4 of proposed budget reductions comes from federal employee programs."

Korten, who said he expected that type of reaction, said nothing in the proposals "is taking a single dollar from anybody. What we're trying to do is bring a couple of things—COLAs and retirement programs—under reasonable control."